

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02
USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 INR-07 LAB-04
NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01 CEA-01
AF-08 ARA-06 EA-07 EUR-12 NEA-10 /106 W
-----311346Z 122349 /43

P 311056Z JAN 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 4840

INFO ALL OECD CAPS PRIORITY 144

C O N F I D E N T I A L SECTION 1 OF 2 GENEVA 0627

OECD PARIS FOR WENDT

E.O. 11652: GDS

TAGS: UNCTAD

SUBJ: UNCTAD: CORRIDOR TALK AT THE COMMON FUND PREPARATORY MEETING

1. SUMMARY: U.S. DELEGATION TO SECOND PREPARATORY MEETING MADE A SPECIAL EFFORT AT THIS MEETING TO PICK UP IMPRESSIONS OF OTHER DELEGATES ON CURRENT DEVELOPMENTS ON COMMON FUND AND EXPECTED COURSE OF EVENTS, INCLUDING MARCH NEGOTIATING CONFERENCE ON FUND ITSELF. GENERAL EXPECTATION -- SHARED BY VIRTUALLY ALL DELEGATES SPOKEN WITH FROM DEVELOPED, DEVELOPING AND SOCIALIST COUNTRIES IS THAT STATE OF PREPARATIONS FOR MARCH MEETINGS BY UNCTAD SECRETARIAT AS WELL AS MEMBER STATES ABYSMAL AND THAT THERE IS NO PROSPECT FOR AGREEMENT AT MARCH CONFERENCE. THIS LEADS HIGHLY OPTIMISTIC TO CONCLUSION THAT FOUR-WEEK MARCH NEGOTIATING CONFERENCE CAN BE POSTPONED OR AT LEAST SHORTENED, BUT MOST TO CONCLUSION THAT SOME MINIMUM POLITICAL RESULT WOULD BE REQUIRED AT MARCH CONFERENCE (POSSIBLY A RESOLUTION IN WHICH ALL PARTICIPANTS -- INCLUDING THE U.S. -- COMMIT THEMSELVES FORMALLY IN PRINCIPLE TO ESTABLISHMENT OF A COMMON FUND). SHOULD THIS
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POLITICAL RESULT NOT BE ACHIEVED, EXTREMIST MEMBERS OF G-77 ARE THREATENING UNILATERAL ESTABLISHMENT OF A PRODUCERS-ONLY COMMON FUND ALONG LINES OF CONFERENCE OF THE 1975 NON-ALIGNED RESOLUTION, PLUS A TURN FOR THE WORSE IN CIEC. END SUMMARY.

2. PLEASE PROTECT ALL SOURCES CITED BELOW.

3. G-77 SPOKESMAN ALATAS (INDONESIA), WHO REPRESENTS MODERATES, TOLD US IN LUNCH CONVERSATION THAT HE DOES NOT EXPECT FULL-FLEDGED AGREEMENT TO EMERGE FROM MARCH CONFERENCE, BUT THERE WOULD NEED TO BE "SUBSTANTIAL PREGRESS". HE SAID IT WAS "UNTHINKABLE" THAT U.S. WOULD NOT PARTICIPATE IN THE MARCH CONFERENCE, GIVEN THE CRUCIAL ROLE IT PLAYS IN WORLD COMMODITY AFFAIRS. HE URGED THAT U.S. CLARIFY ITS ATTITUDE ON PARTICIPATION AND ON COMMON FUND AS SOON AS POSSIBLE (WE STRESSED IN REPLY NEED FOR OTHERS TO GIVE NEW U.S. ADMINISTRATION TIME TO CLARIFY ITS OWN THINKING ON COMMODITY AND OTHER ISSUES INVOLVED IN NORTH-SOUTH RELATIONS AND THAT OBVIOUSLY FULL RANGE OF OPTIONS ON COMMON FUND WOULD BE PART OF ITS POLICY REVIEW). HE SAID MOST USEFUL STEP U.S. AND OTHER GROUP B COUNTRIES COULD TAKE WOULD BE TO ACCEPT PRINCIPLE OF COMMON FUND AS A PRIMARY SOURCE OF FINANCING OF INDIVIDUAL BUFFER STOCKS, TO BE AGREED ON A CASE-BY-CASE BASIS. ONCE THAT WAS DONE, G-77 WOULD BE PREPARED TO ENTER SERIOUSLY INTO NEGOTIATION ON SENSITIVE POINTS SUCH AS WHETHER FUND SHOULD FINANCE OTHER MEASURES ("LET'S DISCUSS THIS OPENLY AND WORK TOWARD SOMETHING WHICH GIVES YOU ALL THE ASSURANCES YOU NEED"), AND THE RELATIONSHIP OF INDIVIDUAL COMMODITY AGREEMENTS TO A COMMON FUND. WE URGED HIM TO LOOK CAREFULLY AT GROUP B OPTIONS PAPER ON FUND ISSUES TABLED IN COURSE OF WEEK, NOTING THAT IT CONTAINED OTHER VARIANTS OF COMMON FUND, AS WELL AS OPTIONS ON BUFFER STOCK FINANCING OUTSIDE A COMMON

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FUND. LATTER, ALATAS SAID, TECHNIQUES SUCH AS MANDATORY PRODUCER/CONSUMER FINANCING OF BUFFER STOCKS, WERE HIGHLY DESIRABLE, BUT COULD BE CONSIDERED ONLY WITHIN FRAMEWORK OF COMMON FUND.

4. LATIN AMERICAN REGIONAL COORDINATOR (VARGAS, VENEZUELA) REACTED TO BARRAGE WE GAVE HIM ON ECONOMIC AND FINANCIAL WEAKNESSES OF THE G-77 FUND PROPOSAL BY EMPHASIZING THAT ESTABLISHMENT OF FUND WAS ESSENTIALLY A POLITICAL ISSUE, AND ONE G-77 COULD NOT AND WOULD NOT RETREAT FROM. HE, LIKE ALATAS, STRESSED THAT ONCE AGREEMENT ON OVERALL CONCEPT OF A COMMON FUND AS A PRIMARY SOURCE OF FINANCE WAS ESTABLISHED, G-77 WOULD BE PREPARED TO NEGOTIATE SERIOUSLY ON MODALITIES. LATIN AMERICAN GROUP, FOR EXAMPLE, WAS GREATLY CONCERNED ABOUT INDEPENDENCE OF INDIVIDUAL COMMODITY BODIES, AND EQUALLY COMMITTED TO ESTABLISHING FUND ON VIABLE FINANCIAL BASIS. HE NOTED MINISTER PEREZ-GUERRERO WOULD BE GOING TO EUROPE IN MID-FEBRUARY FOR G-19 MEETING IN PARIS, AND

THOUGHT IT WOULD BE USEFUL TO HAVE HIM VISIT LEADING OFFICIALS IN WASHINGTON SUCH AS UNDER SECRETARY COOPER. (VARGAS SAID THIS WAS STRICTLY PERSONAL THOUGHT BY HIM, AND HE HAD NOT DISCUSSED IT WITH PEREZ-GUERRERO. U.S. REP (BOERNER) SUGGESTED VENEZUELAN EMBASSY IN WASHINGTON MIGHT TAKE UP MATTER WITH DEPARTMENT IF PEREZ-GUERRERO WISHED TO PURSUE IT).

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FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 4841
INFO ALL OECD CAPS PRIORITY 145

C O N F I D E N T I A L SECTION 2 OF 2 GENEVA 0627

OECD PARIS FOR WENDT

5. DEPUTY U.K. REP (PRIOR), WHO IS ALSO DEPUTY EC SPOKESMAN, CONFIDED THAT EC AND UK ARE CONCERNED ABOUT ANY UNCOORDINATED INITIATIVES ON COMMODITIES AND SPECIFICALLY COMMON FUND ISSUE COMING FROM NEW U.S. ADMINISTRATION. HE SAID EXPERIENCE AT UNCTAD IV WITH U.S. PROPOSAL ON INTERNATIONAL RESOURCES BANK HAD BEEN HIGHLY DISCONCERTING, AND URGED THAT IF U.S. ATTENDED MARCH NEGOTIATING CONFERENCE ON COMMON FUND IT FULLY COORDINATE ITS POLICY BEFORE CONFERENCE WITH EC AND THAT IT MAINTAIN THIS COORDINATION THROUGHOUT THE CONFERENCE ITSELF. PRIOR PERSONALLY THOUGHT THAT EVENTUAL EC POSITION -- WHICH HE SAID WAS STILL FAR FROM BEING ACHIEVED -- WOULD PROBABLY COALESCE AROUND SOME VERSION OF FOURCADE PROPOSAL FOR A COMMON FUND AS A POOLING ARRANGEMENT, PLUS SOME ADDITIONAL CENTRAL CONTRIBUTION ("IF YO DO IT STRICTLY ON A CASE-BY-CASE BASIS, HOW DO YOU GET THE OPEC COUNTRIES IN IT?"), BUT HE RECOGNIZED EVENTUAL EC OSITION HIGHLY CONTINGETN ON EVENTUAL U.S. POSITION.

6. A FEW REPS -- MAINLY FROM THE EC -- ARE TALKING
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PRIVATELY ABOUT POSTPONEMENT OF THE MARCH NEGOTIATIONS, ALTHOUGH NOT WITH ANY CONVICTION THAT SUCH A MOVE WOULD BE LIKELY TO SUCCEED. ONE EC REP SUGGESTED POSTPONEMENT-- OR A BRIEF PER FORMA SESSION AND THEN POSTPONEMENT -- MIGHT BE LINKED TO AN AGREEMENT BY DEVELOPED COUNTRIES ON IMPROVEMENTS IN FINANCING BUFFER STOCKS SUCH AS MANDATORY CONSUMER FINANCING (U.S. DEL'S REPLY WAS THAT THIS WOULD SEEM TO BE THE WORST OF ALL POSSIBLE OUTCOMES -- CONCESSIONS BY DEVELOPED COUNTRIES WITH THE UNCTAD COMMON FUND PROPOSAL STILL FIRMLY ON THE NEGOTIATING TABLE).

7. ONE EASTERN EUROPEAN REP TOLD US PRIVATELY THAT THERE WAS GREAT SKEPTICISM AND OUTRIGHT OPPOSITION WITHIN GROUP D (SOCIALIST) COUNTRIES TO UNCTAD PROPOSAL AND, IN FACT, ANY COMMON FUND. BUT THIS WAS AT EXPERT LEVEL, WHILE HIGHER-UPS WERE STILL TORN BETWEEN DESIRE NOT TO OFFEND DEVELOPING COUNTRIES AND REFUSAL OR AT LEAST HESITANCY, TO UNDERTAKE FINANCIAL COMMITMENTS ON PROBLEM WHICH THEY CONSIDERED OUTSIDE THEIR RESPONSIBILITY (READ PRICE FLUCTUATIONS ARE A RESULT OF CAPITALIST MARKET SYSTEM). IF GIVEN OPPORTUNITY, HE SAID, HE INTENDED TO SPEAK OUT.

8. AS NOTED IN SEPARATE CABLE ON FORTHCOMING UNCTAD COPPER MEETING, ZAMBIAN REP EXPRESSED TO US GREAT PRIVATE MISGIVINGS ON COMMON FUND, WHICH HE SAID WOULD NOT HELP HIS COUNTRY IN COPPER SITUATION. PERHAPS MORE IMPORTANTLY, EXECUTIVE DIRECTOR OF OPEC SPECIAL FUND, IBRAHIM SHIHATA, TOLD US HE HAD DOUBTS ABOUT G-77 AND UNCTAD SECRETARIAT PROPOSALS ON FINANCING OF THE COMMON FUND AND THAT HE WAS NOT PREPARED, BASED ON THESE FORMULATIONS, TO RECOMMEND COMMITMENT OF SPECIAL FUND MONEY TO THE COMMON FUND. HE WAS INTERESTED IN GROUP B CONCERNS ABOUT THE FINANCIAL VIABILITY OF THE FUND, AND SAID HE AGREED THAT FINANCIALLY ILL-CONCEIVED FUND WAS IN NO
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ONE'S INTEREST. SHIHATA NOTED, HOWEVER, THAT CONSIDERABLE POLITICAL MOMENTUM WAS BEHIND THE FUND AND THAT "THIS COULD INFLUENCE FUTURE DEVELOPMENTS". SHIHATA WAS IN GENEVA TO MEET WITH G-77 DELS FROM OPEC COUNTRIES TO

DISCUSS POSSIBLE SPECIAL FUND SUPPORT FOR THE COMMON FUND.

9. FINALLY, IT SHOULD BE NOTED THAT LACK OF U.S. POSITION IS CAUSING SOME ANXIOUS MOMENTS AMONG SOME OF OUR CHIEF ALLIES IN THESE UNCTAD MEETINGS ON THE COMMON FUND. GERMANS IN PARTICULAR WERE UNHAPPY AT U.S. WILLINGNESS TO TAKE DEFINITIVE HARD-LINE POSITIONS ON EVEN MINOR ITEMS AS DEBATE DEVELOPED. AUSTRALIAN REP MADE A UIMILAR COMMENT TO U.S. REP AT END OF MEETING, NOT IN CRITICAL TONE, BUT SIMPLY CITING IT AS A FACT OF LIFE HE HAD TO LIVE WITH. JAPANESE ALSO SHOWED THEIR NERVOUSNESS THROUGHOUT MEETING ON FUTURE COURSE OF ADMINISTRATION POLICY.CATTO

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